



## SOCIAL SECURITY

The Commissioner

December 22, 2004

The Honorable Richard B. Cheney  
President of the Senate  
Washington, D.C. 20510

Dear Mr. Vice President:

The purpose of this letter is to transmit to you the Social Security Administration's (SSA) Report to Congress on Fiscal Year (FY) 2004 Competitive Sourcing Efforts as required by the Consolidated Appropriations Act of Fiscal Year 2004. The report has been prepared in accordance with the Office of Management and Budget's (OMB) guidelines.

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Through a measured, consistent approach to competitive sourcing, SSA is continuing its efforts in becoming a "most efficient organization" in order to provide better service to the American public.

If there are any questions concerning the report, your staff may contact Myrtle S. Habersham, Chief Strategic Officer at 410-965-7401.

Sincerely,

Jo Anne B. Barnhart

Enclosures:

Tab A – FY 2004 Competitive Sourcing Activities Summary

Tab B – Narrative Statements on:

Projected Number of FTEs Scheduled for Competition in FY 2005

How Savings Were Calculated for Each Competition

How Fixed Costs Were Determined

Tab C – Alignment of Competitive Sourcing and Human Capital



## SOCIAL SECURITY

The Commissioner

December 22, 2004

The Honorable J. Dennis Hastert  
Speaker of the House of Representatives  
Washington, D.C. 20515

Dear Mr. Speaker:

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The Commissioner

December 22, 2004

The Honorable E. Clay Shaw  
Chairman, Subcommittee on Social Security  
Committee on Ways and Means  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

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The Commissioner

December 22, 2004

The Honorable Robert T. Matsui  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Matsui:

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## SOCIAL SECURITY

The Commissioner

December 22, 2004

The Honorable Tom Davis  
Chairman, Committee on Government Reform  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

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## SOCIAL SECURITY

The Commissioner

December 22, 2004

The Honorable Henry A. Waxman  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Waxman:

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## SOCIAL SECURITY

The Commissioner

December 22, 2004

The Honorable Susan M. Collins  
Chairman, Committee on Governmental Affairs  
United States Senate  
Washington, D.C. 20510

Dear Madam Chairman:

The purpose of this letter is to transmit to you the Social Security Administration's (SSA) Report to Congress on Fiscal Year (FY) 2004 Competitive Sourcing Efforts as required by the Consolidated Appropriations Act of Fiscal Year 2004. The report has been prepared in accordance with the Office of Management and Budget's (OMB) guidelines.

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## SOCIAL SECURITY

The Commissioner

December 22, 2004

The Honorable Joseph I. Lieberman  
United States Senate  
Washington, D.C. 20510

Dear Senator Lieberman:

The purpose of this letter is to transmit to you the Social Security Administration's (SSA) Report to Congress on Fiscal Year (FY) 2004 Competitive Sourcing Efforts as required by the Consolidated Appropriations Act of Fiscal Year 2004. The report has been prepared in accordance with the Office of Management and Budget's (OMB) guidelines.

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## SOCIAL SECURITY

The Commissioner

December 22, 2004

The Honorable Charles E. Grassley  
Chairman, Committee on Finance  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

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## SOCIAL SECURITY

The Commissioner

December 22, 2004

The Honorable Ralph Regula  
Chairman, Subcommittee on Labor, Health and Human  
Services, and Education  
Committee on Appropriations  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

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December 22, 2004

The Honorable David R. Obey  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Obey:

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December 22, 2004

The Honorable Max Baucus  
United States Senate  
Washington, D.C. 20510

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The Honorable Tom Harkin  
United States Senate  
Washington, D.C. 20510

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December 22, 2004

The Honorable Arlen Specter  
Chairman, Subcommittee on Labor, Health  
and Human Services and Education  
Committee on Appropriations  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

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**COMPLETED COMPETITIONS**  
(Dollars in Millions)

<b>FY 2004 FIXED COSTS*</b>	0.926
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# Social Security Administration

**Announced Competitions\***  
(Dollars in Millions)

Competition Description											
Bureau	Primary Activity Code	Secondary Activity Code	Additional Activity Code	Description of Activity Competed	Type of Competition	Location (State)	# of FTE in study	Source Selection Strategy Used (If Known)	Start Date (Mo/Yr)	Incremental Costs of Conducting Studies	Anticipated Savings or Quantifiable Description of Improvements in Service or Performance (if available)
STREAMLINED COMPETITIONS											
016	Y820 Administrative Management and Correspondence Services			Mailroom Clerk	Streamlined Competition without MEO	TX	1		07/04	0.000	Deliver certified/registered mail within 3 hours of receipt.
SUBTOTAL, STREAMLINED COMPETITIONS											
							1			0.000	
STANDARD COMPETITIONS											
SUBTOTAL, STANDARD COMPETITIONS											
							0			0.000	
TOTAL, ALL COMPETITIONS											
							1			0.000	



## **Narrative Statements**

### **Total Projected Number of Full-time Equivalents Scheduled for Competition in Fiscal Year 2005**

The Social Security Administration estimates that approximately 343 full-time equivalent (FTEs) will be scheduled for competition in Fiscal Year 2005 based on the Green Plan sent to OMB on September 29, 2004. SSA will conduct these competitions in FY 2005, **if sufficient funds are available.**

### **Savings Calculations**

In accordance with the OMB Report to Congress guidance, SSA will identify estimated savings by determining the cost of performing the function prior to announcement (baseline cost). When the study is announced COMPARE software will be used to develop the baseline cost estimate. Savings are calculated by subtracting the winning bid offer (i.e. the Agency tender or the private sector bid) from the baseline cost.

SSA believes that service improvements realized from competitions will allow components to increase productivity/accuracy/service to the public. Components will report annually on these types of improvements based on the performance standards identified in the performance work statement.

### **Fixed Cost Calculation Methodology**

In accordance with the OMB Report to Congress guidance, fixed costs represent the cost of a fully dedicated staff associated with providing central direction and oversight of the Agency's competitive sourcing program.

The Agency's fixed costs include:

- General support contractor costs for developing SSA's competitive sourcing guides and the Competitive Sourcing Tracking System, consulting on A-76 guidance, assisting in developing lessons learned, providing general competitive sourcing training and non-competition related services, etc.
- The FTE cost of full-time dedicated staff, including fringe benefits and overhead, associated with providing central direction and oversight of SSA's competitive sourcing program (i.e., Office of Competitive Sourcing staff and Office of Acquisition and Grants Contracting Officer for competitive sourcing).

## **Alignment of Competitive Sourcing and Human Capital**

One of the ways the Agency has strengthened the needed infrastructure for competitions is the use of a cross-component Competitive Sourcing Workgroup. Representatives from the Office of Human Resource (OHR) are active participants along with representatives from all of SSA's components. The workgroup supports SSA's competitive sourcing effort in a variety of ways such as assisting in the development of the FAIR Act Inventory, updating lessons learned, developing competitive sourcing guidance, providing feedback on OMB guidance, and serving as a link to Agency components in the area of competitive sourcing.

OHR has assigned members of its various staffs to work with the employees conducting and/or affected by studies that are either planned or underway. OHR helps to identify and address skills imbalances, competency gaps and organizational redundancies that may affect either the proposed or the actual study. For instance, career counselors have worked with staff in areas that are under study to identify and schedule general skills training and personnel specialists have helped to identify methods for creating organizations in areas that are under study which will more effectively and efficiently deliver the services that are being studied.

On an agency-wide scale, OHR has been actively working for many years to identify and properly plan for the influence that the impending retirement wave will have on its ability to deliver services. The primary document that captures this effort is the "Retirement Wave Analysis." First done in 1998, this analysis has been updated every 3 years since, and we are now moving to annual updates.

"The Retirement Wave Analysis" helps SSA to identify potential skills imbalances and competency gaps, with an eye towards helping Agency executives address these before they actually occur. In preparing this document, which is shared with all SSA components, including the Office of Competitive Sourcing (OCS), we are always aware that competitive sourcing is one of the approaches that should be considered when determining how best to address these losses.

We monitor SSA success in addressing the potential problems identified in the "Retirement Wave Analysis" via the "Future Workforce Transition Plan (FWTP)." This document contains a number of specific activities that have been identified as necessary to stay ahead of the potentially negative impacts of the retirement wave. The "FWTP" is updated quarterly and reflects, among other information, reorganization/restructuring activities, skills gaps analyses, training and competitive sourcing activities. Again, this document is shared with the OCS.

Finally, OHR has developed a "Human Capital Plan (HCP)" in support of the President's Management Agenda item on the Strategic Management of Human Capital. The "HCP," which has also been shared with OCS, is aligned with the Agency Strategic Plan. It indicates that the Agency is using competitive sourcing studies to examine various methods for providing high-quality, citizen centered service.

The "HCP" includes SSA's "Competitive Sourcing Human Resources Plan," which outlines alternatives for employees who are displaced as a result of competitive sourcing such as the use of career counselors to provide guidance in establishing a new career. It also includes SSA's

“Labor Relations Strategy for Competitive Sourcing,” which addresses possible strategies for meeting the labor relations obligations arising from competitive sourcing. These items are addressed in the Workforce Planning and in the Strategic Alignment sections of our “HCP.”

## **Narrative Statements**

### **Total Projected Number of Full-time Equivalents Scheduled for Competition in Fiscal Year 2005**

The Social Security Administration estimates that approximately 343 full-time equivalent (FTEs) will be scheduled for competition in Fiscal Year 2005 based on the Green Plan sent to OMB on September 29, 2004. SSA will conduct these competitions in FY 2005, **if sufficient funds are available.**

### **Savings Calculations**

In accordance with the OMB Report to Congress guidance, SSA will identify estimated savings by determining the cost of performing the function prior to announcement (baseline cost). When the study is announced COMPARE software will be used to develop the baseline cost estimate. Savings are calculated by subtracting the winning bid offer (i.e. the Agency tender or the private sector bid) from the baseline cost.

SSA believes that service improvements realized from competitions will allow components to increase productivity/accuracy/service to the public. Components will report annually on these types of improvements based on the performance standards identified in the performance work statement.

### **Fixed Cost Calculation Methodology**

In accordance with the OMB Report to Congress guidance, fixed costs represent the cost of a fully dedicated staff associated with providing central direction and oversight of the Agency's competitive sourcing program.

The Agency's fixed costs include:

- General support contractor costs for developing SSA's competitive sourcing guides and the Competitive Sourcing Tracking System, consulting on A-76 guidance, assisting in developing lessons learned, providing general competitive sourcing training and non-competition related services, etc.
- The FTE cost of full-time dedicated staff, including fringe benefits and overhead, associated with providing central direction and oversight of SSA's competitive sourcing program (i.e., Office of Competitive Sourcing staff and Office of Acquisition and Grants Contracting Officer for competitive sourcing).

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## **Alignment of Competitive Sourcing and Human Capital**

One of the ways the Agency has strengthened the needed infrastructure for competitions is the use of a cross-component Competitive Sourcing Workgroup. Representatives from the Office of Human Resource (OHR) are active participants along with representatives from all of SSA's components. The workgroup supports SSA's competitive sourcing effort in a variety of ways such as assisting in the development of the FAIR Act Inventory, updating lessons learned, developing competitive sourcing guidance, providing feedback on OMB guidance, and serving as a link to Agency components in the area of competitive sourcing.

OHR has assigned members of its various staffs to work with the employees conducting and/or affected by studies that are either planned or underway. OHR helps to identify and address skills imbalances, competency gaps and organizational redundancies that may affect either the proposed or the actual study. For instance, career counselors have worked with staff in areas that are under study to identify and schedule general skills training and personnel specialists have helped to identify methods for creating organizations in areas that are under study which will more effectively and efficiently deliver the services that are being studied.

On an agency-wide scale, OHR has been actively working for many years to identify and properly plan for the influence that the impending retirement wave will have on its ability to deliver services. The primary document that captures this effort is the "Retirement Wave Analysis." First done in 1998, this analysis has been updated every 3 years since, and we are now moving to annual updates.

"The Retirement Wave Analysis" helps SSA to identify potential skills imbalances and competency gaps, with an eye towards helping Agency executives address these before they actually occur. In preparing this document, which is shared with all SSA components, including the Office of Competitive Sourcing (OCS), we are always aware that competitive sourcing is one of the approaches that should be considered when determining how best to address these losses.

We monitor SSA success in addressing the potential problems identified in the "Retirement Wave Analysis" via the "Future Workforce Transition Plan (FWTP)." This document contains a number of specific activities that have been identified as necessary to stay ahead of the potentially negative impacts of the retirement wave. The "FWTP" is updated quarterly and reflects, among other information, reorganization/restructuring activities, skills gaps analyses, training and competitive sourcing activities. Again, this document is shared with the OCS.

Finally, OHR has developed a "Human Capital Plan (HCP)" in support of the President's Management Agenda item on the Strategic Management of Human Capital. The "HCP," which has also been shared with OCS, is aligned with the Agency Strategic Plan. It indicates that the Agency is using competitive sourcing studies to examine various methods for providing high-quality, citizen centered service.

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